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Italy

Food Processing Ingredients

2014 Italian Food Processing Ingredients Sector

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Report Highlights:

The Italian food-processing industry continues to be highly fragmented, and depends almost entirely on raw material imports, most of which come from other EU countries. Italian consumers continue to prefer fresh products rather than canned or frozen. In Italy, the 10 leading food-processing companies account for around 40% of sector sales, and growth areas include chilled ready meals, frozen pizza, soups, and healthy foods.

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Macro-Economic Situation & Key Demographic Trends

Italy has a diversified industrial economy, divided into a developed industrial north, dominated by private companies, and a less-developed agricultural south, with persistent high unemployment. The Italian economy is driven in large part by the manufacture of high-quality consumer goods produced by small and medium-sized enterprises, many of them family owned. Italy is the third-largest economy in the euro-zone, but exceptionally high public debt burdens and structural impediments to growth have rendered it vulnerable to scrutiny by financial markets. Italy's GDP is estimated at \$1.805 trillion and it has a per capita GDP of \$29,600. Italy has few natural resources, with much land unsuited for farming. Most raw materials and ingredients are imported, as Italy's economic strength is in the processing and the manufacturing of goods, primarily in small and medium-sized family-owned firms. Italy exports mainly consumer products to the United States, while the U.S. exports mostly bulk commodities to Italy. Due to its large food processing sector's need for inputs, Italy has become a net agricultural importing country.

U.S.-Italian Agricultural Trade

In 2013, U.S. agricultural, fish, and forestry exports to Italy were \$1.2 billion, whereas, U.S. imports from Italy reached \$3.7 billion. The agricultural balance of trade is nearly 4:1 in Italy's favor, although there used to be parity before Italy joined the EU. The United States exports bulk and intermediary products to Italy, namely wheat, soybeans, hides and skins, hardwood lumber and planting seeds. Quantities exported in a given year can fluctuate widely depending on the internal European feed grain and wheat supply and demand situation as well as external competitive factors with third country suppliers. Products are processed into high value items like cured meats and cheeses, pasta, shoes, and furniture, which are then re-exported to the United States.

Bilateral Ag Trade 2013

(Food, Fish and Forestry)

Total U.S. Exports to Italy: USD 1.2 billion Total U.S Imports from Italy: USD 3.7 billion

Leading Products:

Wheat: USD186 million

Tree Nuts: USD183 million

Forest Products: USD141 million

Soybean Meal: USD91 million

Fish products USD75 million

Wine: USD1.6 billion

Olive Oil: USD575 million

Cheese: USD297 million

Snack Foods: USD142 million

Forest Products: USD84 million

Agriculture

Agriculture is one of Italy's key economic sectors, accounting for around 2% of GDP. The most important products are grains, sugar beets, soybeans, meat and dairy products - especially in the north of the country - and fruit, vegetables, olive oil, wine and durum wheat in the south. The country is the world's fifth-largest exporter of agro-food products. The meat and poultry industry account for around 17% of Italy's total agro-food production in value terms. Fruit and vegetable processing and preserving (a segment that includes olive-oil manufacturing) constitutes the second-largest sector (12.5% of the total), while the bread and baked goods sector represents around 10% of total production value. Other key sectors include alcoholic beverages (nearly 9% of the total), chocolate and confectionery (5.4%), pasta and noodles (4.5%), the production of soft drinks and mineral water (3.7%), fish processing (3.0%) and coffee and tea production (2.5%). Italy's closest trade ties are with the other members of the EU. Italy's largest EU trade partners are Germany (which receives around 18% of Italy's exports), France (13%) and the UK (7%). The EU accounts for 55% of Italy's total exports and for 61% of its total imports. The US is also a major trading partner, accounting for 7% of total exports and 5% of total imports.

Italy's agriculture is typical of the northern and southern division found within the European Union. The northern part of Italy produces primarily grains, soybeans, meat, and dairy products, while the south specializes in fruits, vegetables, olive oil, wine, and durum wheat. Even though much of its mountainous terrain is unsuitable for farming, 3.9 percent of the population is employed in farming. Most farms are small, with the average size being only seven hectares. Italy has a diversified industrial economy with roughly the same total and per capita output as France or the United Kingdom. Italian industries, including the food-processing sector, rely heavily on imports of raw materials. Italy is one of the largest agricultural producer and food processors in the European Union (EU). Italy's major agro-food trading partners are other EU Member States, with France and Germany each accounting for slightly less than a fifth of the total. Italy's leading agro-food exports are wine, pasta, olive oil, cheeses, and fruits and vegetables.

The export market drives the Italian food-processing sector. However, exchange rates play a critical role outside the EU. The weak dollar versus strong euro has continued to exert a negative pressure on Italian food export prospects. Italy has invested heavily in a "Made in Italy" strategy to build consumer loyalty to weather exchange rate fluctuations. Although products with geographic indications represent only a small fraction of the total value of Italian food production, they play a major role in Italy's national food export marketing strategy to portray its products as 'high quality and Italian'.

The United States is primarily a supplier of high quality inputs for Italian food processing—wheat for pasta and confectionary, forest products for furniture and housing components, tree nuts for bakery products, seeds for planting, hides and skins for footwear, seafood for the restaurant sector, and tobacco for cigarettes. While consumer-ready products also do succeed in this market, there remain technical barriers to trade, particular for meats and products containing genetically modified ingredients, which hamper market access.

Italian Agricultural Exports

As the export market drives the Italian food-processing sector, the economic performance of the world market, and particularly the economic performance of Germany and other northern neighbors, heavily influences Italian business performance. Outside the EU, where Italy competes in global food markets, the weak dollar and strong euro have continued to exert pressure on Italian food export prospects.

The notable exception is the United States where Italian wine sales continue to grow in spite of the 'expensive' euro.

Italian Food-Processing

Like the Italian retail sector, the food-processing industry is highly fragmented, and, in recent years, the sector has been characterized by the growing consolidation of smaller companies and by an increasing number of joint ventures. The 10 leading food-processing companies account for around 40% of sector sales, excluding exports. Growth in recent years has been strongest in the production of frozen foods, pasta, and roasted coffee. Italy depends heavily on imports, most of which come from other EU countries. Italian consumers continue to prefer fresh products rather than canned ones.

However, the most popular canned food products are fish and seafood (tuna in particular), meat and meat products, tomatoes and beans. In 2012, canned food sales reached \$2.5 billion. Chocolate dominates the Italian confectionery sector, accounting for nearly 70% of the total market; however, most of it is produced for export as per capita consumption of chocolate in Italy is among the lowest in Europe. Italian manufacturers in hopes of increasing domestic demand have started to introduce new product ranges. As Italian lifestyles have become busier, prepared ready-made meals are on the rise.

Chilled ready meals have proven to be more successful than dried or frozen products, as they are perceived to be fresher and more natural. In recent year's fish processing, conserved and fish-based product production have declined partly because the Italian processing industry only utilizes a few species (anchovies, sardine, and mackerel). The seafood-processing sector in Italy is now mainly in preserves, and specifically tuna based preserves. 2013 frozen fish sales were approximately €850 million.

Meat, Fish And Dairy

Although the meat production industry remains one of Italy's largest and most important food sectors, growth in volume terms has increased only slightly in the past five years, while the value of meat production has generally followed a gradual downward trend. A similar trend has also affected Italy's milk industry and the production and consumption of dairy products. In recent years, the dairy sector has undergone steady consolidation, resulting in a significant decline in the number of dairy farms. Although Italy's fisheries industry has undergone a steady decline in recent years - both in volume and value terms - this should not be taken as an indication of declining domestic production. Nonetheless, per capita consumption levels of meat in Italy remain stagnant. In 2013, per capita consumption of bacon/ham stood at 8.2kg, which is forecast to rise to only 8.5kg by 2018. Per capita consumption levels of sausages are even lower, standing at an estimated 2.7kg in 2013 and forecast to rise to just 2.9kg by 2018.

Fish consumption in Italy remains relatively underdeveloped. In 2013, per capita consumption of frozen fish is estimated at 1.74kg and that of other preserved fish at 4.61kg. In both fish segments, imports account for the most important share of the local market at more than 70%. Italian

consumption of virgin olive oil is relatively high, standing at an estimated 8.6kg per capita in 2013. In contrast, consumption levels of other oils and fats are much lower, standing at an estimated 5.7kg for crude soya bean oil and 1.7kg for margarine. Italy is a major producer of oils and fats, with domestic production accounting for the majority of local consumption.

Prepared Food

As elsewhere in developed markets, Italian lifestyles have become busier, leading to increased demand for convenience-food solutions. Again, growth has been slower than in other Western European markets, with ready meals and other convenience food options still considered to be a last resort. Overall, chilled ready meals have been more successful than dried or frozen products, as they are perceived to be fresher and more natural. Major Italian food companies in this sector include Gruppo Cremonini, Amadori and Unipeg, which are active in the country's processed meat and poultry sectors, and La Doria SpA, which processes canned, frozen and fresh fruit and vegetables. Other major firms include Galbani, which is a leading producer and distributor of dairy products and one of the most important manufacturers of cured meats; Barilla, which manufactures pasta and pasta sauces; and Carapelli Firenze, Italy's leading olive oil producer.

Chilled Food Processers

Chilled processed food remains highly fragmented in Italy, as companies commonly focus on specific categories (for example processed meat). Chilled processed food, as well as frozen food, continued to see healthy growth during the economic downturn. Chilled processed fish/seafood performed well in 2013, particularly chilled smoked fish, with smoked salmon driving the category.

Quality, convenience, and innovation have helped keep demand alive despite declining consumer disposable incomes and have driven sales of chilled products, which are generally appreciated for their freshness, typically low calorie content and health-related values. An increasing trend for natural ingredients and ingredients perceived to offer health benefits, together with convenience, has helped this sectors' growth. Chilled soup was again the best performing category during 2013, followed by prepared salads and chilled fish and seafood.

As in other packaged food categories, Private Labels saw a significant increase in share in 2013, due to advertising campaigns by major food retailers promoting their value-for-money products. Private labels accounted for around 30% of total chilled processed food value sales in 2013, and have proven popular not only among price-oriented consumers but also among a wider consumer group, as such products have focused more on quality and convenience of use. Retail promotions were one of the key drivers of purchasing private label products.

Chilled food processers are mainly Italian manufacturers, with a few international groups playing a minor role. Chilled meat production in Italy is a highly competitive and well-developed sector, as ham production has a long tradition in Italy. Italian consumers seek traditional, domestically produced ham and meat products; however, there is growing competition from foreign cheaper imported products (mainly from South America and Eastern Europe).

Frozen Food Processors

The economic turndown slightly affected the Italian frozen food processors, even though frozen food continues to gain in popularity. Italian consumers are slowly realizing that frozen can also be healthy (like fresh food), as well as practical and affordable. In 2013, per capita consumption of frozen food was 16 kilos, compared to the average for Western European countries of 23 kilos. The main consumer in Italy is young families who are concerned with convenience and affordability.

Frozen processed fish was by far the best performing category in 2013, followed by pizza, vegetables and ready meals. A growing niche market are frozen processed fruits, and frozen herbs (where basil and parsley are the best sellers). Supermarkets and hypermarkets continue to lead the frozen processed food distribution, while discounters are also attracting consumers by offering a wide range of good quality products at affordable prices. Frozen processed food producers are expected to invest large sums in new product development and the introduction of healthier products over the forecast period, in order to counteract the competition posed by cheaper private label products. Consumption of frozen fruit and vegetables remains relatively constant in Italy. In 2013, per capita consumption of frozen vegetables stood at 3.13kg and frozen fruit at 4.83kg. In the frozen vegetable segment, imports play a much more important role in the Italian market, while in the frozen fruits segment domestic production represents the lion's share of local consumption.

Dried Food Processers

Rising demand for healthier, lighter, and cheaper products was the main trend for dried food processors in 2013. In addition, a large number of consumers are becoming increasingly interested in ethnic cooking, boosting demand for new innovative segments and flavors in the packaged food market. Supermarkets/hypermarkets accounted for 72% of dried processed food retail value sales.

Hypermarkets, in particular, have a significant role in dried processed food sales, because of their substantial shelf space. These outlets performed well in 2013 thanks to greater consumer attention to lower prices. Small independent grocers and convenience stores are not perceived as the best places to purchase dried processed food, as they are more expensive and less suited to bulk purchases of commodity products like pasta and rice. Demand for both healthy and easy-to-cook products is expected to increase over the forecast period, due to the increasingly hectic pace of modern life and rising consumer health awareness. In the snack foods sector, bread products represent the largest share of Italian consumption, standing at an estimated 48.1kg per capita in 2013. Biscuit consumption stands at an estimated 6.3kg per capita in 2013, with crisp bread consumption much lower at just under 3kg per capita.

Per capita consumption levels of pasta in Italy, unsurprisingly, are higher than in many other European countries. In 2013, per capita consumption of uncooked pasta stood at 14.0kg, while per capita consumption of prepared pasta stood at an estimated 13.6g. Given Italy's strong pasta manufacturing base, domestic production clearly accounts for the major share of local consumption.

Best Prospects for U.S. Agricultural and Fish Exports

While Italian consumers continue to demand premium and functional products regardless of the harsh economic environment, they are also becoming increasingly health conscious. Products emphasizing

health or functional properties, such as those that lower cholesterol or are low in fat and sugar, are particularly successful due in part to governmental campaigns to increase awareness about the rising rate of obesity. Changing demographics have created a need for ready-made, ready-to-serve products and a wider range of products. Italian households still prefer fresh rather than frozen, and frozen rather than canned food. Shopping frequency remains greater in Italy than in many other European markets. Italians consume a significant amount of seafood, and they are increasingly demanding frozen, easy-to-prepare products. Demand for ethnic packaged foods has also increased due to the growing immigrant population. U.S. bulk and intermediate commodities are used as ingredients or inputs for value-added Italian products that are then re-exported. North American high-quality durum wheat, for example, is used to produce pasta.

Opportunities exist in the supply of fish, especially tuna, salmon, crab, surimi, roe, seafood for the canning industry, frozen fish fillets such as hake, cod and plaice to meet the demand for convenient, ready-to-prepare products. Peeled and processed shrimp, squid, cuttlefish, octopus and lobster are also popular. Opportunities also exist for fruit berries, condiments, fruit juices, and tree nuts, all products that have seen growth in recent years. Beef, cheese, poultry, and processed food products containing biotech ingredients are not present in the Italian market due to significant trade barriers.

<i>Advantages and Challenges for U.S. Exporters to Italy</i>	
<i>Advantages</i>	<i>Challenges</i>
Food consumption levels are among the highest in the world.	Competition from EU countries.
Italy is the third largest market in Europe for food and drink in terms of value, and there is a reliable affluent consumer base for such products.	U.S. exporters have significantly higher transportation costs and time lags than most other European countries, given the distance between Italy and the United States.
Lifestyle changes have increased demand for processed, convenient foods.	Non-tariff barriers such as phyto-sanitary restrictions and traceability requirements hinder U.S. exports.
Italy is highly dependent on raw imports for its processed food industry, particularly wheat and other cereals. Italy is the world's fifth largest exporter of agri-food products, and Italian food products have a reputation for being of high quality.	U.S. exporters new to the Italian market may find the Italian bureaucracy difficult to maneuver.
EU expansion creates new market opportunities for Italian food and drink exports, for which the Italian food processing industry will need additional ingredient inputs.	U.S. exporters face stiff competition from other EU countries that export to Italy tariff-free.

Sector Trends & Competition

Italy imports mainly from other EU countries, particularly France, Germany, Spain, and the Netherlands. Nevertheless, the United States is the ninth largest exporter of agricultural products to Italy. U.S. exporters of wheat and meslin (ingredients often used in the Italian baking industry) are in a favorable competitive position. Cereals also do very well in the Italian market. Products with medical benefits, diet qualities, and easy-to-prepare features are growing in popularity.

Road Map for Market Entry

Italian importers are usually small to medium-sized companies, rather than the large, market-dominating types found in northern Europe. Consequently, these companies import smaller volumes and a broad range of products. Most imported food products enter the Italian market through brokers or specialized traders. Price is always important, although quality and novelty alone do move some imported products. Imported products from North America often enter Italy indirectly from the Netherlands' Port of Rotterdam, or directly by air. Processed food is primarily distributed through retail grocers, convenience stores and discount grocers. Italian retail chain outlets have started to make their own purchasing decisions.

Depending on the type of food ingredients, there are different supply chains in the Italian food market. Generally, Italian producers source their ingredients from local producers or local importers. Only large processors import ingredients directly from foreign suppliers. Retailers usually purchase directly from the processor or the buying organization. The Hotel Restaurant and Institution (HRI) sector may purchase directly from a wholesaler whereas smaller HRI outlets generally purchase products from cash and carry operations.

U.S. exporters of food processing ingredients usually enter the Italian market through a specialized ingredients importer. A good importer will be your partner in promoting your product to his or her customers. Italy's food processing industry is well developed and has access to various food ingredients.

U.S. companies seeking to export their goods to Italy are advised to research the market for a better understanding. The USDA Foreign Agricultural Service offers USA suppliers a number of valuable services to support them with market entry. Once U.S. companies have acquired this background information, they have several choices on how to enter the market. They may consider attending or visiting one of Europe's many USDA endorsed trade shows and other trade shows in Europe like the Health ingredients show and the Food ingredients show. They serve as a springboard into the market, helping companies to establish new trade contacts and gauge product interests.

U.S. exporters can also contact their respective U.S. State Regional Trade Groups (SRTG), their commodity Cooperator Group and their State Department of Agriculture to obtain additional market entry support. The cooperators regularly organize Reverse Trade Missions, often organized around trade shows or other events, which are excellent platforms for U.S. suppliers of food ingredients to meet with foreign buyers:

FAS Attaché Reports

Excellent FAS Attaché reports for new-to-market exporters to Italy are:

- The Exporter Guide which contains a general overview of the macro-economic situation, discusses demographic trends, food trends, offers exporter business tips and shares overviews of the food retail and HRI sectors (please see [Exporter Guide](#)).
- The Import Regulations and Standards (FAIRS) report provide an overview of import regulation standards and required health and origin certificates (please see [FAIRS Report](#)).
- The Retail Foods Report gives an overview of the food retail market within Italy
- The Hotel, Restaurant and Institutional Sector report
- View our FAS Rome webpage at <http://italy.usembassy.gov/agtrade.html> for a selection of Italy reports or view the Global Attache' reports at <http://gain.fas.usda.gov/Lists/Advanced%20Search/AllItems.aspx>

State Regional Trade Groups

The State Regional Trade Groups (SRTG), regionally located in the United States, is non-profit trade development organizations that help U.S. food producers and processors to enter overseas markets. They are funded by USDA's Foreign Agricultural Service (FAS), the State Department of Agriculture, and private industry. They carry out promotional activities that increase exports of U.S. high-value food and agricultural products.

Activities range from the participation at international trade exhibitions, overseas trade missions, reverse trade missions, and export education to in-country research and point-of-sale promotions in foreign food chains or restaurants worldwide. The SRTGs also administer a cost-share funding program called the 'Brand program' which supports the promotion of brand name food and agricultural products in overseas markets. For more information, contact the state regional trade group responsible for your state:

The four State Regional Trade Groups

Food Export Northeast Member states: Connecticut, Delaware, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont E-Mail: info@foodexport.org Web site: www.foodexportusa.org	Southern United States Trade Association Member states: Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, Puerto Rico, South Carolina, Tennessee, Texas, Virginia, West Virginia E-Mail: susta@susta.org Web site: www.susta.org
Food Export Association of the Midwestern USA Member states: Indiana, Illinois, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, Wisconsin	Western U.S. Agricultural Trade Association Member states: Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, Wyoming E-Mail: export@wusata.org

E-Mail: info@foodexport.org Web site: www.foodexport.org	Web site: www.wusata.org
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The U.S. Agricultural Export Development Council is composed of U.S. trade associations and other organizations, in addition to the SRTGs, with an interest in promoting U.S. agricultural exports. For an overview and additional information on the various Commodity Groups, you can go to www.usaedc.org.

Participation in Trade Shows

Europe hosts many large international trade shows, and they are an excellent starting point for U.S. exporters to promote their products to get in contact with potential business partners, buyers, and to conduct product introductions. To enter the Italian market it is essential to have local and personal contacts. Local representatives provide up-to-date market information and guidance on business practices and trade laws. In general, Italian food processing industry players attend regional and international food ingredient trade shows.

Further information about the most important Italian and European trade shows can be found at the FAS Rome website <http://italy.usembassy.gov/agtrade.html>.

<i>Top producers of packaged foods in Italy</i>		
Producer	Product Categories	End-Use Channels
Cargill SRL	Grains, oil seeds, sweeteners	Retail, HRI
Kraft Foods, Inc.	Snacks, beverages, cheese, convenient meals	Retail, HRI
Barilla Holding SpA	Bakery products, ice cream, snack bars, pasta, dried processed food, sauces, dressings and condiments	Retail, HRI
Unilever Group	Oils and fats	Retail, HRI
Consorzio del Prosciutto di Parma	Meats, cooked and cured	Retail, HRI
Ferrero Group	Confectionery, bakery products, dairy products, spreads	Retail, HRI
Nestlé SA	Snack foods, non-alcoholic drinks	Retail, HRI
Lactalis Groupe	Dairy products	Retail, HRI
Parmalat Group	Dairy products (94% of revenue), bakery products, oils and fats, sauces, dressings and condiments, spreads	Retail, HRI
Perfetti Van Melle Group	Candy, gum	Retail, HRI
Campari Milano SpA	Spirits, wines, soft drinks	Retail, HRI
Danone, Groupe	Dairy products, bottled water, baby food	Retail, HRI

Finpesca	Fresh and processed fish and seafood	Retail, HRI
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Source: Euromonitor ISTAT, Industry, Media reports

Local Time

The time zone for Italy is 6 hours ahead of U.S. Eastern Standard Time.

Holidays

Italian holidays must be taken into account when planning to do business in Italy. July and August are not good months for conducting business in Italy, since most business firms are closed for vacation during this period. The same is true during the Christmas and New Year period.

USDA FAS Contacts in Rome, Italy

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